

Message Text

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60

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4573

INFO AMEMBASSY NEW DELHI

UNCLAS KUWAIT 0437

E.O. 11652: N/A

TAGS: EAID KU, IN

SUBJECT: LARGE KUWAIT FUND LOAN FOR INDIA

REF: 75 KUWAIT 4107,

1. AGREEMENT SIGNED HERE JANUARY 27 BETWEEN GOI AND KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT WHEREBY LATTER WILL EXTEND LOAN OF KD 15 MILLION (KD 1 - \$3.50) TO ASSIST IN FINANCING KALINADI HYDRO-ELECTRIC PROJECT - STAGE 1. LOAN IS BIGGEST SINGLE LOAN EVER MADE BY KFAED FOR A SINGLE PROJECT AND IT HAS ATTRACTED MORE THAN USUAL PUBLICITY HERE. IT ALSO APPARENTLY TIMED TO COINCIDE WITH INDIAN NATIONAL DAY.

2. ACCORDING TO LOCAL PRESS THE PROJECT, LOCATED IN NORTH KANARA DISTRICT OF KARNATAKA STATE, IS THE FIRST STAGE OF THE DEVELOPMENT OF THEP HYDROELECTRIC POTENTIAL OF THE KALINADI RIVER. IT INVOLVES THE CONSTRUCTION OF DAMS, TUNNELS, INTAKE STRUCTURES AND THE INSTALLATION OF POWER STATIONS AND TRANSMISSION LINES. THE STAGE I WILL CONTRIBUTE 910 MW OF INSTALLED CAPACITY AND A SUBSTANTIAL ENERGY POTENTIAL OF 4,112 GWH ANNUALLY TO THE KARNATAKA POWER GRID. THE PROJECT WORK COMMENCED IN 1971 AND THE FIRST STAGE IS SCHEDULED FOR COMPLETION BY 1980/81. IT IS CLAIMED TO BE CRUCIAL TO THE ECONOMIC PROGRESS OF SOUTH INDIA, WHICH FACES FREQUENT WATER

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AND POWER SHORTAGES.

3. THE LOAN, FOR 20 YEARS DURATION, WILL BE AMORTIZED IN 40 SEMI-ANNUAL INSTALMENTS, THE FIRST OF WHICH WILL BE DUE ON 15TH AUGUST 1981 AND THE LAST ON 15TH FEBRUARY 2001. IT CARRIES AN INTEREST OF 4 PERCENT PER ANNUUM, WHICH INCLUDES 0.5 PERCENT FOR ADMINISTRATIVE AND SERVICING CHARGES. THE KUWAITI LOAN WILL COVER ABOUT 25 PERCENT OF THE COST OF THE STAGE I. MAU

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